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Senate Republicans Balance the Budget Without Raising Taxes

Michigan's fiscal house in order until October 2004

LANSING – Senate Republicans held a press conference yesterday to announce that Michigan's fiscal house has been put in order until at least October 1, 2004, without raising taxes, Sen. Valde Garcia, R-Howell, said.

"The last four months we have been diligently working to ensure that we have adequate resources to fund essential government programs and at the same time we have kept our promise not to raise taxes but to cut spending first," Garcia said.

Using a disciplined approach to balance the budget, Republicans resolved the fiscal challenges facing the state, while filling the holes left by Gov. Jennifer Granholm's proposed budget issued in March.

In Gov. Granholm's proposal to balance the budget, \$129 million in "tax loopholes" were identified to close, in an effort to bring additional revenue into the state. After careful evaluation of the proposals, however, Republicans identified only \$19 million as legitimate tax policy changes, leaving a \$110 million tax increase on Michigan's working families and businesses.

"We are going to have minor skirmishes on the budget, but the big pieces are pretty much in place," Senate Majority Leader Ken Sikkema, R-Wyoming, said. "The Michigan Legislature is in an excellent position to achieve budget priorities without raising taxes or implementing devastating cuts to critical government services."

Shouldering the responsibility of filling the \$110 million gap in the plan to balance the budget, two Senate-initiatives were proposed to generate new revenue for the state. The first, the Driver Responsibility program is expected to generate \$75 million in new revenue. The program was designed to make Michigan roads safer by assessing a drive license surcharge to individuals who consistently disobey traffic laws. The second,

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the Claim It Correctly package, is expected to generate an additional \$40 million in revenue. The package ensures that property owners claim only the Homestead Tax Exemption to which they are entitled.

“What we have proposed to close the funding gap is not only innovative but good for Michigan because it promotes safer highways and closes actual tax loopholes,” Garcia said.

The Senate balanced the budget through the following proposals:

- \$19 million in Tax Policy Changes (Gov. Granholm Proposal)
- \$75 million from the Driver Responsibility Program (Senate Proposal)
- \$40 million from the Claim It Correctly Program (Senate Proposal)
- \$120 million in new fees and fees increases (Granholm Proposal)
- \$167 million from the Federal budget aid to fund the education deficit (Senate Proposal)
- \$250 million in concessions from state employees (Granholm Proposal)

Sen. Sikkema and the Chair of the Senate Appropriations Committee, Sen. Shirley Johnson, R-Royal Oak, said the full Senate will take up the Republican proposal to balance the budget next week, leaving the House and Senate budget conference committees to decide the final details in the coming weeks.